



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
OFFICE OF THE STATE BUDGET  
LANSING

MARY A. LANNOYE  
DIRECTOR

January 6, 2006

The Honorable Shirley Johnson, Chair  
Senate Appropriations Committee  
Michigan State Senate  
State Capitol  
Lansing, Michigan 48901

The Honorable Scott Hummel, Chair  
House Appropriations Committee  
Michigan House of Representatives  
State Capitol  
Lansing, Michigan 48901

Dear Legislators:

Attached are the monthly financial reports for the months ending October 31, 2005 and November 30, 2005. These reports are submitted pursuant to MCL 18.1386. These reports can also be found on the Internet at the following address:

[www.michigan.gov/budget](http://www.michigan.gov/budget) under "Financial Reports."

If you have questions concerning the information in these reports, please contact this office.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mary A. Lannoye".

Mary A. Lannoye  
State Budget Director

Attachment

cc: List attached

cc: Governor Jennifer Granholm  
Ken Sikkema, Senate Majority Leader  
Craig DeRoche, Speaker of the House  
Bob Emerson, Senate Minority Leader  
Diane Byrum, House Minority Leader  
Senate Appropriations Committee  
House Appropriations Committee  
Nancy Cassis, Chair, Senate  
Finance Committee

Fulton Sheen, House Tax Policy Committee  
John Burchett, Executive Office  
Tim Hughes, Executive Office  
Senate Fiscal Agency  
House Fiscal Agency  
Mike Moody, Financial Management  
Nancy Duncan, Deputy Director  
State Budget Office  
Internal Office of the State Budget  
Distribution

**GENERAL FUND, GENERAL PURPOSE**  
**Fiscal Year 2006**  
**Projected Revenues and Expenditures**  
**October 31, 2005**  
(\$ in millions)

|   | <b>FISCAL<br/>2006</b>       |
|---|------------------------------|
| <b>Beginning Balance, October 1, 2005</b>                                     | <b>\$ 220.5</b>              |
| <b>Revenues, Current Law:</b>   |                              |
| <b>Current Year GF/GP Revenues, Special August 2005 Consensus Estimate</b>    | <b>\$ 8,212.9</b>            |
| <b>Adjustments to Consensus Baseline</b>                                      | <b>\$ -</b>                  |
| <b>Adjustments Not Included in Consensus Estimate:</b>                        |                              |
| Revenue Sharing Freeze (PA 196 of 2005 and Special August 2005 Consensus)     | \$ 377.8                     |
| Suspend County Revenue Sharing (PA 356 and 357 of 2004)                       | \$ 182.3                     |
| Cap Interfund Borrowing Rates   | \$ 20.0                      |
| Non-Use of SBT Pharmaceutical Credit  | \$ 10.0                      |
| Escheats Revenue  | \$ 10.0                      |
| Enhanced Tax Enforcement  | \$ 24.6                      |
| Financial Institutions Fund Revenue Deposit to GF                             | \$ 15.0                      |
| <b>Subtotal</b>   | <b>\$ 9,073.1</b>            |
| <b>Anticipated Revenue Adjustments:</b>                                       |                              |
| Land Sales (HB 5114)  | \$ 60.0                      |
| Interest Earnings - Securitization Proceeds (pending legislation)             | \$ 31.0                      |
| Reduce Sales Tax to Comprehensive Transportation Fund; deposit to GF (SB 839) | \$ 11.1                      |
| Agriculture Equine Industry Development Fund Revenue Deposit to GF (SB 837)   | \$ 2.0                       |
| Remonumentation Fund Revenue Deposit to GF (pending legislation)              | \$ 15.0                      |
| State Services Fee Fund Deposit to GF (pending legislation)                   | \$ 6.0                       |
| <b>Subtotal Anticipated Revenue Adjustments</b>                               | <b>\$ 125.1</b>              |
| <b>Total FY Resources Available For Expenditure GF/GP</b>                     | <b>9,198.2</b>               |
| <b>Expenditures, Current Law:</b>   |                              |
| Enacted Post Vetoes   | \$ 8,975.7                   |
| <b>Total Expenditures Projected</b>   | <b>\$ 8,975.7</b>            |
| <b>Projected Ending Balance, September 30, 2006</b>                           | <b>\$ 222.5 <sup>1</sup></b> |

<sup>1</sup> Subsequent to the date of this report, changes to the Single Business Tax were enacted and signed into law. These changes are estimated to reduce general fund revenues by \$103.9 million in fiscal year 2006.

# OFFICIAL BALANCE SHEET

## SCHOOL AID FUND Fiscal Year 2006 Projected Revenues and Expenditures October 31, 2005 (\$ in millions)

|   | FISCAL<br>2006     |
|---|--------------------|
| <b>Beginning Balance, October 1, 2005</b>                           | <b>\$ 93.7</b>     |
| <b>Current Year School Aid Fund Revenues, August 2005 Consensus</b> | <b>\$ 11,233.1</b> |
| <b>Adjustments to Consensus Baseline</b>                            |                    |
| Payment in Lieu of Taxes (PA 513 of 2004)                           | \$ (2.0)           |
| Increased Keno Licensing  | \$ 13.0            |
| Enhanced Tax Auditing   | \$ 9.5             |
| FY04 Audit Receivables Adjustments                                  | \$ 3.0             |
| <b>Subtotal, School Aid Fund, Current Year Direct Resources</b>     | <b>\$ 11,256.6</b> |
| School Bond Loan Revolving Fund                                     | \$ 44.5            |
| General Fund Subsidy  | \$ 62.7            |
|   | \$ 107.2           |
| Federal Aid   | \$ 1,392.6         |
| <b>Total Available SAF Resources</b>                                | <b>\$ 12,850.1</b> |
| <b>Expenditures</b>   |                    |
| <b>Enacted Appropriations PA 155 of 2005</b>                        | <b>\$ 12,757.2</b> |
| <b>Adjusted Appropriations</b>                                      | <b>\$ 12,757.2</b> |
| <b>Projected School Aid Fund Ending Balance September 30, 2006</b>  | <b>\$ 92.9</b>     |

# SUMMARY OF EXPENDITURES AND ENCUMBRANCES

## GENERAL FUND GROSS

October 31, 2005

(\$ IN MILLIONS)

### FISCAL YEAR 2004-05

### FISCAL YEAR 2005-06

| October<br>2004  | Yr-to-date<br>2004-05 | Fiscal Yr<br>end SEP<br>30, 2005 | DEPARTMENT              | Initial<br>Approp | Exec. Orders<br>and Supplem.<br>Approp.* | Exp & Enc<br>October<br>2005 | Exp & Enc<br>Yr-to-date<br>2005-06 |
|------------------|-----------------------|----------------------------------|-------------------------|-------------------|--|------------------------------|------------------------------------|
| 5.6              | 5.6                   | 93.6                             | Agriculture             | 119.2             | 0.0                                      | 5.6                          | 5.6                                |
| 2.3              | 2.3                   | 57.4                             | Attorney General        | 63.8              | 0.0                                      | 1.7                          | 1.7                                |
| 41.8             | 41.8                  | 291.2                            | Capital Outlay          | 0.0               | 0.0                                      | 21.6                         | 21.6                               |
| 0.5              | 0.5                   | 12.3                             | Civil Rights            | 13.2              | 0.0                                      | 0.3                          | 0.3                                |
| 1.1              | 1.1                   | 25.3                             | Civil Service           | 35.9              | 0.0                                      | 0.8                          | 0.8                                |
| 220.5            | 220.5                 | 1,909.7                          | Colleges & Universities | 1,868.8           | 0.0                                      | 166.0                        | 166.0                              |
| 1,263.7          | 1,263.7               | 9,808.9                          | Community Health        | 10,203.9          | 0.0                                      | 980.3                        | 980.3                              |
| 115.1            | 115.1                 | 1,682.4                          | Corrections             | 1,841.3           | 0.0                                      | 107.0                        | 107.0                              |
| 9.1              | 9.1                   | 78.8                             | Education               | 101.1             | 0.0                                      | 10.4                         | 10.4                               |
| 4.9              | 4.9                   | 178.5                            | Environmental Quality   | 410.5             | 0.0                                      | 3.6                          | 3.6                                |
| 0.3              | 0.3                   | 5.0                              | Executive Office        | 5.4               | 0.0                                      | 0.1                          | 0.1                                |
| 1.6              | 1.6                   | 53.9                             | History, Arts & Library | 53.2              | 0.0                                      | 2.4                          | 2.4                                |
| 271.6            | 271.6                 | 3,929.5                          | Human Services          | 4,423.9           | 0.0                                      | 379.4                        | 379.4                              |
| 0.0              | 0.0                   | 0.0                              | Information Technology  | 0.0               | 0.0                                      | 0.0                          | 0.0                                |
| 12.8             | 12.8                  | 207.0                            | Judiciary               | 255.4             | 0.0                                      | 4.0                          | 4.0                                |
| 18.9             | 18.9                  | 719.9                            | Labor & Economic Growth | 862.6             | 0.0                                      | 28.3                         | 28.3                               |
| 8.1              | 8.1                   | 131.2                            | Legislature             | 129.7             | 0.0                                      | 6.5                          | 6.5                                |
| 15.7             | 15.7                  | 151.9                            | Management & Budget     | 169.8             | 0.0                                      | 12.6                         | 12.6                               |
| 9.8              | 9.8                   | 102.6                            | Military Affairs        | 111.6             | 0.0                                      | 9.0                          | 9.0                                |
| 1.5              | 1.5                   | 74.4                             | Natural Resources       | 95.8              | 0.0                                      | 0.4                          | 0.4                                |
| 0.0              | 0.0                   | 0.0                              | School Aid              | 0.0               | 0.0                                      | 0.0                          | 0.0                                |
| 14.5             | 14.5                  | 215.3                            | State                   | 197.4             | 0.0                                      | 14.9                         | 14.9                               |
| 13.6             | 13.6                  | 427.4                            | State Police            | 550.8             | 12.3                                     | 16.2                         | 16.2                               |
| 0.0              | 0.0                   | 0.0                              | Transportation          | 0.0               | 0.0                                      | 0.0                          | 0.0                                |
| 272.0            | 272.0                 | 1,528.7                          | Treasury                | 1,794.2           | 52.2                                     | 335.8                        | 335.8                              |
| <b>\$2,305.0</b> | <b>\$2,305.0</b>      | <b>\$21,684.9</b>                |                         | <b>\$23,307.6</b> | <b>\$64.5</b>                            | <b>\$2,106.9</b>             | <b>\$2,106.9</b>                   |

\*Includes boilerplate appropriations.

# ESTIMATED BALANCE OF STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Fiscal Year 2006

October, 2005

(\$ IN MILLIONS)

|  | INITIAL<br>APPROPRIATIONS | EXEC. ORDER<br>and<br>SUPPLEMENTALS | TOTAL<br>APPROPRIATIONS<br>YEAR-TO-DATE |
|--|---------------------------|-------------------------------------|---|
| Payments to local<br>units of government                                       | 15,720.3                  | 0.0                                 | 15,720.3                                |
| Total state spending<br>from state resources                                   | 27,044.3                  | 0.0                                 | 27,044.3                                |
| Percentage of state<br>spending from state<br>resources paid to<br>local units | 58.13%                    |                                     | 58.13%                                  |
| Required payments to<br>local units (48.97%)                                   | 13,243.6                  |                                     | 13,243.6                                |
| <b>Surplus/(deficit)</b>   | <b>\$2,476.7</b>          |                                     | <b>\$2,476.7</b>                        |

STATE OF MICHIGAN  
**YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES**  
**COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND**  
OCTOBER 1, 2005 THROUGH OCTOBER 31, 2005  
(in thousands)

**REVENUES**

|                       |       |
|-----------------------|-------|
| Taxes                 | \$ -  |
| From federal agencies | -     |
| Miscellaneous         | -     |
|                       | <hr/> |
| Total Revenues        | -     |
|                       | <hr/> |

**EXPENDITURES**

|                                 |       |
|---------------------------------|-------|
| Current:                        |       |
| General government              | -     |
| Education                       | -     |
| Family Independence services    | -     |
| Public safety and corrections   | -     |
|                                 | <hr/> |
| Total Expenditures              | -     |
|                                 | <hr/> |
| Excess of Revenues over (under) |       |
| Expenditures                    | -     |
|                                 | <hr/> |

**OTHER FINANCING SOURCES (USES)**

|  |                   |
|--|-------------------|
| Proceeds from Bond Issues                  | -                 |
| Operating transfers from:                  |                   |
| State Lottery Fund                         | -                 |
| Other funds                                | -                 |
|  | <hr/>             |
| Total operating transfers from other funds | -                 |
| Operating transfers to other funds         | -                 |
|  | <hr/>             |
| Total Other Financing Sources (Uses)       | -                 |
|  | <hr/>             |
| Excess of Revenues and Other               |                   |
| Sources over (under) Expenditures          |                   |
| and Other Uses                             | \$ - <sup>1</sup> |
|  | <hr/> <hr/>       |

<sup>1</sup> Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN  
**YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENSES**  
**MICHIGAN STRATEGIC FUND**  
OCTOBER 1, 2005 THROUGH OCTOBER 31, 2005  
(in thousands)

**OPERATING REVENUES**

|                          |           |
|--------------------------|-----------|
| Operating revenues       | \$ -      |
| Interest income          | -         |
| Investment revenue (net) | -         |
| Miscellaneous:           |           |
| Federal revenues         | -         |
| Financing fees           | 65        |
| Other                    | -         |
| Total miscellaneous      | <u>65</u> |
| Total Operating Revenues | <u>65</u> |

**OPERATING EXPENSES**

|   |           |
|---|-----------|
| Salaries, wages, and other administrative | -         |
| Interest expense                          | -         |
| Depreciation                              | -         |
| Purchases for resale                      | -         |
| Other operating expenses:                 |           |
| Loan loss expense                         | -         |
| Tuition benefit expense                   | -         |
| Amortization of deferred issue costs      | -         |
| Miscellaneous                             | -         |
| Total other operating expenses            | <u>-</u>  |
| Total Operating Expenses                  | <u>-</u>  |
| Operating Income (Loss)                   | <u>65</u> |

**NONOPERATING REVENUES (EXPENSES)**

|  |           |
|--|-----------|
| Federal grant revenue                    | -         |
| Interest revenue                         | -         |
| Other nonoperating revenues:             |           |
| Tribal gaming revenue                    | -         |
| Other nonoperating revenue               | -         |
| Total other nonoperating revenues        | <u>-</u>  |
| Nonoperating grants                      | -         |
| Interest expense                         | -         |
| Other nonoperating expense               | -         |
| Total Nonoperating Revenues (Expenses)   | <u>-</u>  |
| Income (Loss) Before Operating Transfers | <u>65</u> |

**OPERATING TRANSFERS**

|   |                           |
|---|---------------------------|
| Operating transfers from primary government | -                         |
| Operating transfers to primary government   | -                         |
| Total Operating Transfers In (Out)          | <u>-</u>                  |
| Net Income (Loss)                           | <u>\$ 65 <sup>1</sup></u> |

<sup>1</sup> Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.



STATE OF MICHIGAN  
**YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES**  
**MICHIGAN NATURAL RESOURCES TRUST FUND**  
OCTOBER 1, 2005 THROUGH OCTOBER 31, 2005  
(in thousands)

**REVENUES**

|                           |              |
|---------------------------|--------------|
| Taxes                     | \$ -         |
| From federal agencies     | -            |
| From licenses and permits | -            |
| Miscellaneous             | <u>5,747</u> |
| Total Revenues            | <u>5,747</u> |

**EXPENDITURES**

|   |              |
|---|--------------|
| Current:  |              |
| General government  | -            |
| Conservation, environment,<br>recreation, and agriculture | 120          |
| Capital outlay  | <u>463</u>   |
| Total Expenditures  | <u>582</u>   |
| Excess of Revenues over (under)<br>Expenditures           | <u>5,165</u> |

**OTHER FINANCING SOURCES (USES)**

|   |                                     |
|---|-------------------------------------|
| Proceeds from bond issues   | -                                   |
| Operating transfers from other funds  | -                                   |
| Operating transfers to other funds  | <u>-</u>                            |
| Total Other Financing Sources (Uses)  | <u>-</u>                            |
| Excess of Revenues and Other Sources<br>over (under) Expenditures and<br>Other Uses | <u><u>\$ 5,165</u></u> <sup>1</sup> |

<sup>1</sup> Balance does not reflect closing adjustments such as accounts receivable,  
accounts payable, etc.

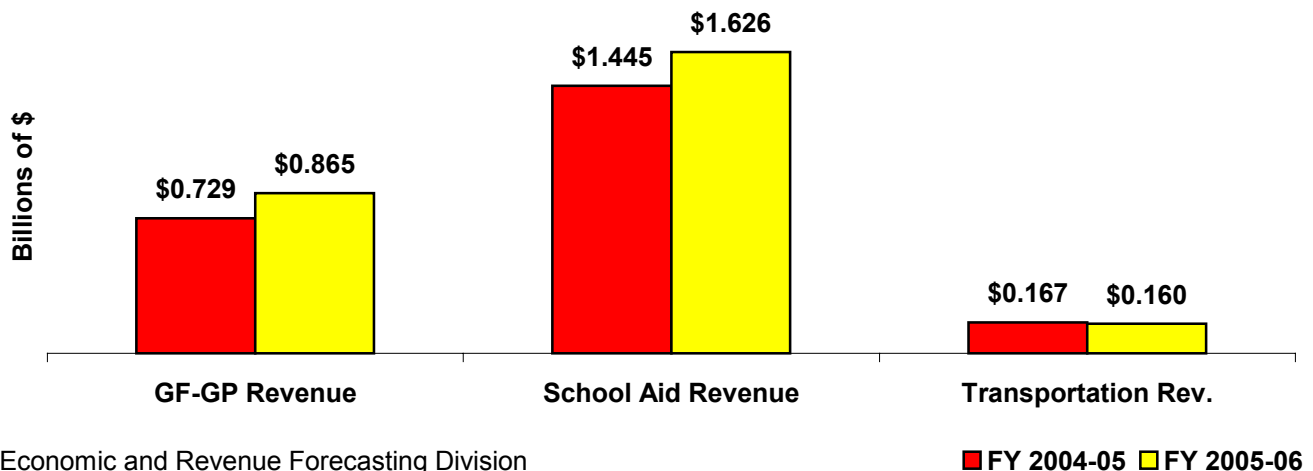
**REVENUE OVERVIEW**  
Economic and Revenue Forecasting Division  
Michigan Department of Treasury

This Monthly Financial Report to the Legislature presents the Michigan State government's economic situation and cash collections for October 2005, representing some September and some October economic activity in Michigan.

Total General Fund-General Purpose revenues were \$135.7 million (18.6 percent) higher in October 2005 than in October 2004. School Aid Fund revenues were \$181.8 million (12.6 percent) higher than in October 2004. The timing of payment dates contributed to growth in the single business tax, sales tax, use tax, and income tax, and thus increased the growth rate of both General-Fund General Purpose and School Aid Fund revenues. Transportation revenues were \$6.9 million (4.1 percent) lower than in October 2004 (see revenue table). October is the first month of the State's fiscal year. Tax revenue received in October relating to economic activity prior to October will be accrued back to fiscal year 2005. Likewise, any refunds paid out in October relating to fiscal year 2005 liabilities will also be accrued back. Final 2005 revenue totals should be available in late December or early January.

FY 2005-2006 revenue forecasts presented in the revenue table on page 10 are from the Consensus Revenue Estimating Conference held on August 17, 2005. The Statutory estimate revenue totals are also the August 2005 Consensus estimates. The net General Fund-General Purpose revenue forecast for FY 2005-2006 is \$8,212.9 million. The net School Aid Fund revenue forecast is \$11,233.1 million, and the major Transportation Funds revenue forecast is \$2,251.2 million. The estimates have been adjusted for the increases in the tobacco and casino taxes. The revenue projections for each tax are shown after all tax adjustments. The next revenue conference is scheduled for January 2006.

**October Collections**  
**Fiscal Years 2004-05 and 2005-06**



## October Revenue Collections Fiscal Years 2004-05 and 2005-06



**Revenue Summary 2005-06**  
**General Fund-General Purpose, School Aid, and Transportation Funds**  
(in thousands)

**For The Month Ended: October 31, 2005**

| MONTH-END CASH COLLECTIONS DATA |           |            |         | OCTOBER THROUGH OCTOBER CASH COLLECTIONS DATA |              |           |            |         | REVENUE PROJECTIONS |             |             |
|---------------------------------|-----------|------------|---------|---|--------------|-----------|------------|---------|---------------------|-------------|-------------|
| October                         |           | Difference |         | SOURCE OF REVENUE                             | Year-to-Date |           | Difference |         | 2004-2005           | 2005-2006   | 2005-2006   |
| 2004                            | 2005      | Amount     | Percent |   | 2004-05      | 2005-06   | Amount     | Percent | Aug 2005            | Statutory   | Aug 2005    |
|                                 |           |            |         |   |              |           |            |         | Consensus           | Estimate    | Consensus   |
| Income Taxes                    |           |            |         |   |              |           |            |         |                     |             |             |
| \$541,202                       | \$570,996 | \$29,794   | 5.5%    | Withholding                                   | \$541,202    | \$570,996 | \$29,794   | 5.5%    | \$6,404,500         | \$6,607,100 | \$6,607,100 |
| 8,421                           | 9,030     | 609        | 7.2%    | Quarterlies                                   | 8,421        | 9,030     | 609        | 7.2%    | 637,200             | 670,100     | 670,100     |
| 18,475                          | 21,066    | 2,591      | 14.0%   | Annuals                                       | 18,475       | 21,066    | 2,591      | 14.0%   | 634,700             | 624,200     | 624,200     |
| 568,099                         | 601,093   | 32,994     | 5.8%    | Gross Collections                             | 568,099      | 601,093   | 32,994     | 5.8%    | \$7,676,400         | \$7,901,400 | \$7,901,400 |
| 37,746                          | 27,621    | (10,125)   | -26.8%  | Less: Refunds                                 | 37,746       | 27,621    | (10,125)   | -26.8%  | 1,660,700           | 1,725,000   | 1,725,000   |
| 0                               | 0         | 0          | na      | State Campaign Fund                           | 0            | 0         | 0          | na      | 1,500               | 1,500       | 1,500       |
| 530,353                         | 573,472   | 43,119     | 8.1%    | Net Personal Income                           | 530,353      | 573,472   | 43,119     | 8.1%    | \$6,014,200         | \$6,174,900 | \$6,174,900 |
| 142,025                         | 156,284   | 14,259     | 10.0%   | Less: Disbursements to SAF                    | 142,025      | 156,284   | 14,259     | 10.0%   | \$1,992,300         | \$2,051,000 | \$2,051,000 |
| \$388,328                       | \$417,188 | \$28,859   | 7.4%    | NET PERSONAL INCOME TO GF-GP                  | \$388,328    | \$417,188 | \$28,859   | 7.4%    | \$4,021,900         | \$4,123,900 | \$4,123,900 |
| Consumption Taxes               |           |            |         |   |              |           |            |         |                     |             |             |
| \$6,863                         | \$6,592   | (\$271)    | -4.0%   | Sales (a)                                     | \$6,863      | \$6,592   | (\$271)    | -4.0%   | \$107,600           | \$114,700   | \$114,700   |
| 65,493                          | 79,621    | 14,128     | 21.6%   | Use   | 65,493       | 79,621    | 14,128     | 21.6%   | 923,700             | 963,600     | 963,600     |
| 10,551                          | 20,524    | 9,973      | 94.5%   | Tobacco                                       | 10,551       | 20,524    | 9,973      | 94.5%   | 117,500             | 228,100     | 228,100     |
| 4,119                           | 4,011     | (108)      | -2.6%   | Beer, Wine & Mixed Spirits                    | 4,119        | 4,011     | (108)      | -2.6%   | 52,000              | 52,500      | 52,500      |
| 46                              | 21        | (25)       | -54.9%  | Liquor Specific                               | 46           | 21        | (25)       | -54.9%  | 33,500              | 34,000      | 34,000      |
| \$87,071                        | \$110,769 | \$23,698   | 27.2%   | TOTAL CONSUMPTION TAXES                       | \$87,071     | \$110,769 | \$23,698   | 27.2%   | \$1,234,200         | \$1,392,900 | \$1,392,900 |
| Other Taxes                     |           |            |         |   |              |           |            |         |                     |             |             |
| \$182,233                       | \$260,433 | \$78,200   | 42.9%   | Single Business                               | \$182,233    | \$260,433 | \$78,200   | 42.9%   | \$1,885,700         | \$1,913,800 | \$1,913,800 |
| 26,238                          | 28,309    | 2,071      | 7.9%    | Insurance Premiums Taxes                      | 26,238       | 28,309    | 2,071      | 7.9%    | 236,300             | 240,000     | 240,000     |
| 208,472                         | 288,742   | 80,271     | 38.5%   | Sub-total SBT & Insurance                     | 208,472      | 288,742   | 80,271     | 38.5%   | 2,122,000           | 2,153,800   | 2,153,800   |
| 3,557                           | 255       | (3,302)    | -92.8%  | Inheritance / Estate                          | 3,557        | 255       | (3,302)    | -92.8%  | 30,000              | 8,000       | 8,000       |
| 102                             | 40        | (62)       | -60.6%  | Telephone & Telegraph                         | 102          | 40        | (62)       | -60.6%  | 97,300              | 81,300      | 81,300      |
| 4,871                           | 7,478     | 2,607      | 53.5%   | Oil & Gas Severance                           | 4,871        | 7,478     | 2,607      | 53.5%   | 65,000              | 60,000      | 60,000      |
| 201                             | 233       | 32         | 15.7%   | Casino Wagering                               | 201          | 233       | 32         | 15.7%   | 42,500              | 43,100      | 43,100      |
| 9,326                           | 12,846    | 3,520      | 37.7%   | Penalties & Interest                          | 9,326        | 12,846    | 3,520      | 37.7%   | 108,500             | 108,000     | 108,000     |
| 14                              | 21        | 7          | 47.9%   | Miscellaneous Other/Railroad                  | 14           | 21        | 7          | 47.9%   | 0                   | 0           | 0           |
| (6,667)                         | (6,667)   | 0          | 0.0%    | Treasury Enforcement Programs                 | (6,667)      | (6,667)   | 0          | 0.0%    | (80,000)            | (80,000)    | (80,000)    |
| \$219,877                       | \$302,950 | \$83,072   | 37.8%   | TOTAL OTHER TAXES                             | \$219,877    | \$302,950 | \$83,072   | 37.8%   | \$2,385,300         | \$2,374,200 | \$2,374,200 |
| \$695,277                       | \$830,906 | \$135,630  | 19.5%   | SUBTOTAL GF-GP TAXES                          | \$695,277    | \$830,906 | \$135,630  | 19.5%   | \$7,641,400         | \$7,891,000 | \$7,891,000 |

continued

**Revenue Summary 2005-06**  
**General Fund-General Purpose, School Aid, and Transportation Funds**  
(in thousands)

**For The Month Ended: October 31, 2005**

| MONTH-END CASH COLLECTIONS DATA |             |            |         | OCTOBER THROUGH OCTOBER CASH COLLECTIONS DATA |              |             |            |         | REVENUE PROJECTIONS |              |              |
|---------------------------------|-------------|------------|---------|---|--------------|-------------|------------|---------|---------------------|--------------|--------------|
| October                         |             | Difference |         |   | Year-to-Date |             | Difference |         | 2004-2005           | 2005-2006    | 2005-2006    |
| 2004                            | 2005        | Amount     | Percent | SOURCE OF REVENUE                             | 2004-05      | 2005-06     | Amount     | Percent | Aug 2005            | Statutory    | Aug 2005     |
|                                 |             |            |         |   |              |             |            |         | Consensus           | Estimate     | Consensus    |
| Non-Tax Revenue(h)              |             |            |         |   |              |             |            |         |                     |              |              |
| \$2,917                         | \$2,917     | \$0        | 0.0%    | Federal Aid                                   | \$2,917      | \$2,917     | \$0        | 0.0%    | \$35,000            | \$35,000     | \$35,000     |
| 167                             | 167         | 0          | 0.0%    | Local Agencies                                | 167          | 167         | 0          | 0.0%    | 2,000               | 2,000        | 2,000        |
| 1,500                           | 1,500       | 0          | 0.0%    | Services                                      | 1,500        | 1,500       | 0          | 0.0%    | 18,000              | 18,000       | 18,000       |
| 4,500                           | 4,500       | 0          | 0.0%    | Licenses & Permits                            | 4,500        | 4,500       | 0          | 0.0%    | 54,000              | 54,000       | 54,000       |
| (1,195)                         | 0           | 1,195      | -100.0% | Investments/Interest Costs                    | (1,195)      | 0           | 1,195      | -100.0% | (68,000)            | (85,000)     | (85,000)     |
| 9,433                           | 10,375      | 942        | 10.0%   | Misc. Non-tax Revenue                         | 9,433        | 10,375      | 942        | 10.0%   | 113,200             | 124,500      | 124,500      |
| 11,333                          | 11,167      | (167)      | -1.5%   | Liquor Purchase Revolving Fund                | 11,333       | 11,167      | (167)      | -1.5%   | 136,000             | 134,000      | 134,000      |
| 5,192                           | 3,275       | (1,917)    | -36.9%  | From Other Funds-Lottery & Escheats           | 5,192        | 3,275       | (1,917)    | -36.9%  | 62,300              | 39,300       | 39,300       |
| \$33,847                        | \$33,900    | \$53       | 0.2%    | TOTAL NON-TAX REVENUE                         | \$33,847     | \$33,900    | \$53       | 0.2%    | \$352,500           | \$321,800    | \$321,800    |
|                                 |             |            |         |   |              |             |            |         |                     |              |              |
| \$729,124                       | \$864,806   | \$135,683  | 18.6%   | TOTAL GF-GP REVENUE                           | \$729,124    | \$864,806   | \$135,683  | 18.6%   | \$7,993,900         | \$8,212,900  | \$8,212,800  |
|                                 |             |            |         |   |              |             |            |         |                     |              |              |
| School Aid Fund                 |             |            |         |   |              |             |            |         |                     |              |              |
| \$211,699                       | \$223,110   | \$11,411   | 5.4%    | Sales Tax 4%                                  | \$211,699    | \$223,110   | \$11,411   | 5.4%    | 2,700,200           | 2,814,800    | 2,814,800    |
| 165,897                         | 174,056     | 8,159      | 4.9%    | Sales Tax 2%                                  | 165,897      | 174,056     | 8,159      | 4.9%    | 2,124,100           | 2,213,600    | 2,213,600    |
| 32,746                          | 39,811      | 7,064      | 21.6%   | Use Tax 2%                                    | 32,746       | 39,811      | 7,064      | 21.6%   | 461,900             | 481,800      | 481,800      |
| 787,802                         | 924,394     | 136,593    | 17.3%   | State Education Property Tax                  | 787,802      | 924,394     | 136,593    | 17.3%   | 1,854,000           | 1,956,900    | 1,956,900    |
| 30,386                          | 28,321      | (2,065)    | -6.8%   | Real Estate Transfer Tax                      | 30,386       | 28,321      | (2,065)    | -6.8%   | 316,000             | 316,000      | 316,000      |
| 0                               | 0           | 0          | na      | Lottery Transfer (d)                          | 0            | 0           | 0          | na      | 641,000             | 654,300      | 654,300      |
| 466                             | 539         | 73         | 15.7%   | Casino Wagering Tax                           | 466          | 539         | 73         | 15.7%   | 98,400              | 99,700       | 99,700       |
| 0                               | 0           | 0          | na      | Liquor Excise Tax                             | 0            | 0           | 0          | na      | 33,500              | 34,000       | 34,000       |
| 42,308                          | 41,668      | (641)      | -1.5%   | Cigarette/Tobacco Tax                         | 42,308       | 41,668      | (641)      | -1.5%   | 470,700             | 463,100      | 463,100      |
| 30,341                          | 37,600      | 7,260      | 23.9%   | Indus. & Comm. Facilities Taxes               | 30,341       | 37,600      | 7,260      | 23.9%   | 133,500             | 133,000      | 133,000      |
| 864                             | 529         | (335)      | -38.8%  | Specific Other                                | 864          | 529         | (335)      | -38.8%  | 14,800              | 14,800       | 14,800       |
| 142,025                         | 156,284     | 14,259     | 10.0%   | Income Tax Earmarking                         | 142,025      | 156,284     | 14,259     | 10.0%   | \$1,992,300         | \$2,051,000  | \$2,051,000  |
| \$1,444,535                     | \$1,626,312 | \$181,778  | 12.6%   | TOTAL SCHOOL AID FUND                         | \$1,444,535  | \$1,626,312 | \$181,778  | 12.6%   | \$10,840,400        | \$11,233,100 | \$11,233,000 |
|                                 |             |            |         |   |              |             |            |         |                     |              |              |
| \$518,729                       | \$545,906   | \$27,177   | 5.2%    | SALES TAX 6%                                  | \$518,729    | \$545,906   | \$27,177   | 5.2%    | \$6,624,500         | \$6,905,000  | \$6,905,000  |
| 352,832                         | 371,850     | 19,019     | 5.4%    | SALES TAX 4%(d)                               | 352,832      | 371,850     | 19,019     | 5.4%    | 4,500,400           | 4,691,400    | 4,691,400    |
| 165,897                         | 174,056     | 8,159      | 4.9%    | SALES TAX 2%                                  | 165,897      | 174,056     | 8,159      | 4.9%    | 2,124,100           | 2,213,600    | 2,213,600    |
| 98,239                          | 119,432     | 21,192     | 21.6%   | USE TAX 6%                                    | 98,239       | 119,432     | 21,192     | 21.6%   | 1,385,600           | 1,445,500    | 1,445,500    |
| 696                             | 806         | 109        | 15.7%   | CASINO WAGERING TAX                           | 696          | 806         | 109        | 15.7%   | 147,000             | 149,000      | 149,000      |
| 104,465                         | 103,137     | (1,327)    | -1.3%   | TOBACCO TAXES                                 | 104,465      | 103,137     | (1,327)    | -1.3%   | 1,164,200           | 1,145,500    | 1,145,500    |
| 0                               | 3,116       | 3,116      | na      | TOBACCO SETTLEMENT                            | 0            | 3,116       | 3,116      | na      | na                  | na           | na           |
| (260)                           | 0           | 260        | na      | CIGARETTE INVENTORY TAX                       | (260)        | 0           | 260        | na      | na                  | na           | na           |

continued

**Revenue Summary 2005-06**  
**General Fund-General Purpose, School Aid, and Transportation Funds**  
(in thousands)

**For The Month Ended: October 31, 2005**

| MONTH-END CASH COLLECTIONS DATA |           |            |         | OCTOBER THROUGH OCTOBER CASH COLLECTIONS DATA |              |           |            |         | REVENUE PROJECTIONS |             |             |           |
|---------------------------------|-----------|------------|---------|---|--------------|-----------|------------|---------|---------------------|-------------|-------------|-----------|
| October                         |           | Difference |         | SOURCE OF REVENUE                             | Year-to-Date |           | Difference |         | 2004-2005           | 2005-2006   | 2005-2006   |           |
| 2004                            | 2005      | Amount     | Percent |   | 2004-05      | 2005-06   | Amount     | Percent | Aug 2005            | Statutory   | Aug 2005    |           |
| Consensus                       |           |            |         |   |              |           |            |         |                     |             | Estimate    | Consensus |
| Major Transportation Revenues   |           |            |         |   |              |           |            |         |                     |             |             |           |
| \$12,822                        | \$13,198  | \$377      | 2.9%    | Diesel Fuel / Motor Carrier Fuel Tax (g)      | \$12,822     | \$13,198  | \$377      | 2.9%    | \$145,000           | \$151,100   | \$151,100   |           |
| 78,399                          | 73,091    | (5,309)    | -6.8%   | Gasoline                                      | 78,399       | 73,091    | (5,309)    | -6.8%   | 929,000             | 942,000     | 942,000     |           |
| 65,791                          | 63,900    | (1,891)    | -2.9%   | Motor Vehicle Registration                    | 65,791       | 63,900    | (1,891)    | -2.9%   | 857,000             | 891,300     | 891,300     |           |
| 5,019                           | 3,272     | (1,747)    | -34.8%  | Other Taxes, Fees & Misc.                     | 5,019        | 3,272     | (1,747)    | -34.8%  | 203,889             | 190,013     | 190,013     |           |
| 4,712                           | 6,399     | 1,687      | 35.8%   | Comprehensive Transportation (c)              | 4,712        | 6,399     | 1,687      | 35.8%   | 56,546              | 76,793      | 76,793      |           |
| \$166,742                       | \$159,860 | (\$6,883)  | -4.1%   | TOTAL MAJOR TRANS. REVENUES                   | \$166,742    | \$159,860 | (\$6,883)  | -4.1%   | \$2,191,435         | \$2,251,205 | \$2,251,205 |           |
| Lottery Sales By Games (b)      |           |            |         |   |              |           |            |         |                     |             |             |           |
| 50,290                          | 53,510    | 3,219      | 6.4%    | Instant Games                                 | 50,290       | 53,510    | 3,219      | 6.4%    | na                  | na          | na          |           |
| 54,654                          | 50,415    | (4,239)    | -7.8%   | Daily Games                                   | 54,654       | 50,415    | (4,239)    | -7.8%   | na                  | na          | na          |           |
| 19,762                          | 25,914    | 6,152      | 31.1%   | Lotto and Big Game                            | 19,762       | 25,914    | 6,152      | 31.1%   | na                  | na          | na          |           |
| 984                             | 1,068     | 84         | 8.5%    | Keno Game                                     | 984          | 1,068     | 84         | 8.5%    | na                  | na          | na          |           |
| 0                               | 0         | 0          | na      | Changeplay Game                               | 0            | 0         | 0          | na      | na                  | na          | na          |           |
| 25,830                          | 31,341    | 5,511      | 21.3%   | Club Games                                    | 25,830       | 31,341    | 5,511      | 21.3%   | na                  | na          | na          |           |
| \$151,520                       | \$162,247 | \$10,727   | 7.1%    | TOTAL LOTTERY SALES                           | \$151,520    | \$162,247 | \$10,727   | 7.1%    | na                  | na          | na          |           |

a GF-GP Sales has been estimated based on CTF and Health Initiative shares.

b The statutory estimate does not include an estimate of lottery sales. It only includes an estimate of the SAF transfer. The transfers shown are actual transfers from Lottery to SAF.

c The CTF distributions have been estimated (includes sales tax transfer and other miscellaneous revenues dedicated to the CTF).

d 2% collections adjusted to reflect exemption on residential utilities.

e Official CAFR figures are adjusted to put them on a comparable basis with Consensus Estimates.

f Non-tax revenue estimates other than interest are estimates.

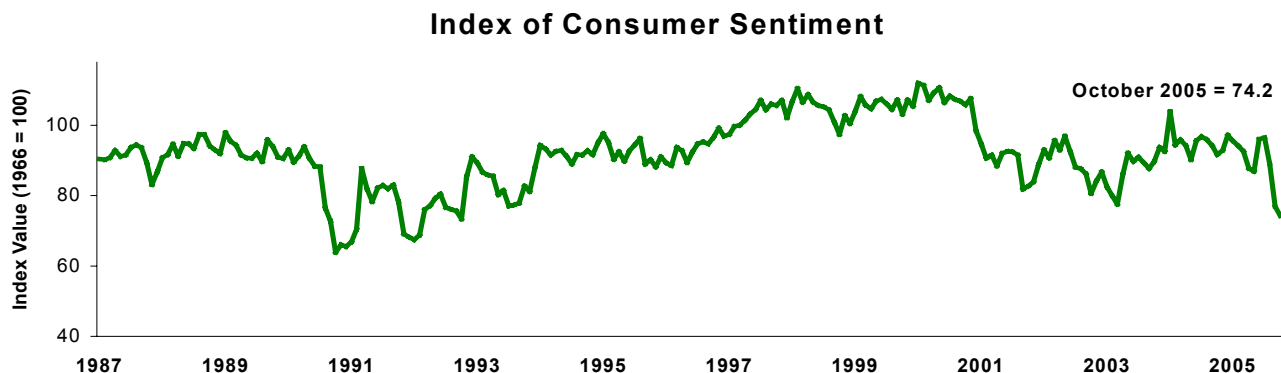
g Starting in January 2005 totals include revenue from the Motor Carrier Fuel Tax. Prior year totals have been adjusted to also include the Motor Carrier Fuel Tax.

Source: Michigan Department of Treasury, Economic and Revenue Forecasting Division, based on reports from the Office of Financial Management, Michigan Department of Management and Budget, and other reports from the Michigan Department of Treasury.

## Economic Highlights

(All data seasonally adjusted unless otherwise noted.)

### U. S. Economy



Source: University of Michigan, Survey Research Center

The **Index of Consumer Sentiment** was 74.2 in October, 2.7 index-points below the September value and 17.5 index-points below October 2004. Survey director Richard Curtin reported, "The continuing decline was due to the cumulative strain of higher prices on the financial situation of consumers. Most of the October decline was in consumers' assessments of current economic conditions, while expectations of future economic conditions remained largely unchanged at the lowest level recorded in more than a dozen years." On the smaller decline compared to the last two months, Curtin noted that, "A pause in the pace of the downward decline is typical of past recessionary episodes, and has typically occurred in the expectations component. The pause reflects a period of time when consumers attempt to gauge the true extent of the weakness in the economy, and thus determine how they should revise their expectations." For vehicle purchases, Curtin observed, "Favorable vehicle buying attitudes continue to fall in the October survey. While some of the recent declines have been due to the ending of the deep discounts offered by vehicle manufacturers, a significant portion of the decline has been due to uncertainty about the future of gasoline prices." In October, consumers in only one of the four regions reported an increase in confidence. Southern consumers reported a minimal increase of 0.1 index-points. Midwestern consumers reported the smallest decrease in confidence of 0.9 index-points, followed by Northeastern consumers (4.1 index-points) and Western consumers (8.9 index-points). The gap across regions increased from last month to 9.3 index-points, with Southern consumers on top and Northeastern consumers on the bottom.

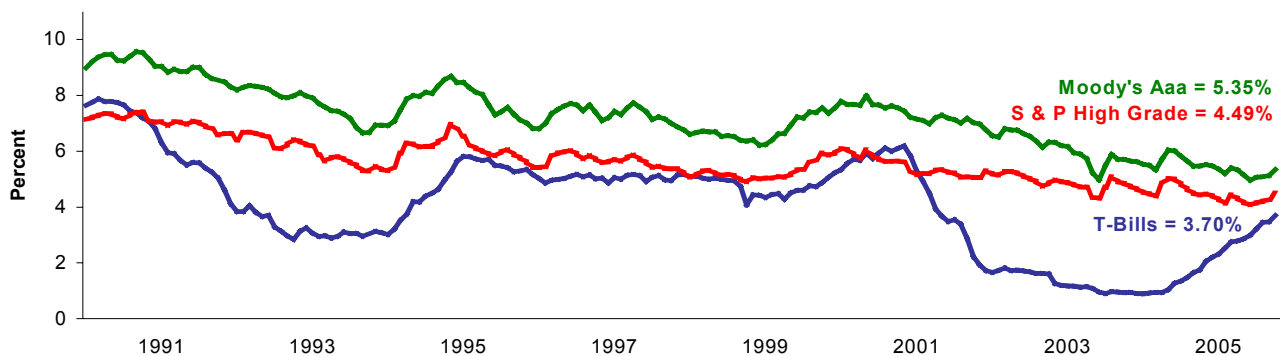
The preliminary estimate of real **Gross Domestic Product** for the third quarter of 2005 is \$11,206.1 billion (chained 2000 dollars), an increase of 4.3 percent at an annual rate. In the second quarter of 2005, real gross domestic product increased 3.3 percent. Personal consumption expenditures, equipment and software, federal government spending and residential fixed investment led third quarter growth. Real personal consumption expenditures increased 3.9 percent in the third quarter compared to an increase of 3.4 percent in the second quarter. Imports, which are a subtraction in calculating GDP, increased. Real residential fixed investment increased 8.4 percent in the third quarter compared to an increase of 10.8 percent in the second quarter. Real nonresidential fixed investment increased 8.8 percent in the third quarter led by increased investment in equipment and software of 10.8 percent. Real federal government expenditures increased 8.1 percent in the third quarter, compared to an increase of 2.4 percent in the second quarter. Real state and local government spending increased 0.4

percent in the third quarter compared to a 2.6 percent increase in the second quarter. Exports of goods and services increased 0.8 percent in the third quarter, compared to a 10.7 percent increase in the second quarter. Imports increased 2.1 percent in the third quarter compared to a decrease of 0.3 percent in the second quarter. Private inventory investment fell \$13.4 billion in the third quarter, down from a \$1.7 billion decrease in the second quarter. Real final sales increased at a 4.7 percent rate in the third quarter compared to a 5.6 percent rate in the second quarter. On the inflation front, the **implicit price deflator** increased at a 3.0 percent annual rate in the third quarter, compared to an increase of 2.6 percent observed in the second quarter.

**U. S. retail prices**, as measured by the Consumer Price Index (CPI-U), increased 0.2 percent in October, down from 1.2 percent in September. Energy decreased slightly by 0.2 percent in October; compared to a 12.0 percent increase in September, while the all-items less food and energy component increased 0.2 percent. For the six months since April, the all-items index increased at a 4.9 percent annual rate.

Compared to October 2004, the all-items index increased 4.3 percent. For major component groups, the unadjusted increases from one year ago were: food and beverages, 2.2 percent; housing, 3.9 percent; medical care, 4.1 percent; recreation, 1.1 percent; education and communication, 2.3 percent; and other goods and services, 2.8 percent, with tobacco prices up 5.6 percent; transportation 10.6 percent, with gasoline prices up 37.0 percent. The unadjusted decreases from one year ago were: apparel, 1.1 percent.

### Selected Key Interest Rates



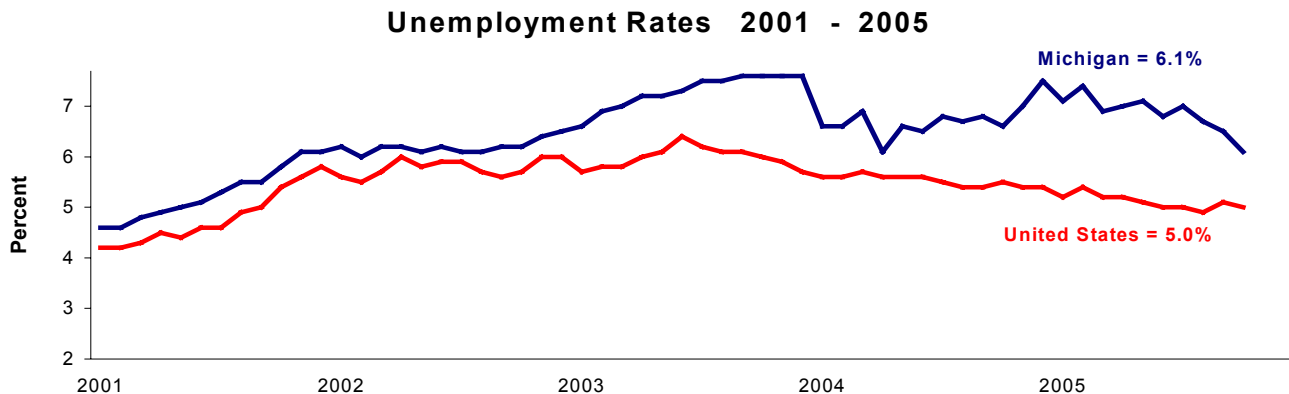
Source: Economic Indicators

Short-term **interest rates** increased 0.23 percentage points in October as the 3-month Treasury bill (T-bill) rate averaged 3.70 percent. Compared to one year ago, the T-bill rate is up 1.95 percentage points. Long-term interest rates, such as the Aaa corporate bond rate, increased 0.22 percentage points to an interest yield of 5.35 percent in October. Compared to one year ago, the Aaa bond yield is down 0.12 percentage points. The interest rate on High-grade municipal bonds increased 0.21 percentage points to 4.49 percent in October, and stands 0.06 percentage points above its year ago level. The Federal Open Market Committee (FOMC) raised the federal funds rate by 25 basis points at its November 1<sup>st</sup> meeting to 4.00 percent. The FOMC stated elevated energy prices and hurricane-related disruptions in economic activity have temporarily depressed output and employment. However, the FOMC continues to believe that, “monetary policy accommodation, coupled with robust underlying growth in productivity, is providing ongoing support to economic activity that will likely be augmented by planned rebuilding in the hurricane affected areas.” The FOMC perceives that, “with appropriate monetary policy action, the upside and downside risks to the attainment of both sustainable growth and



price stability should be kept roughly equal.” The committee believes that, “policy accommodation can be removed at a pace that is likely to be measured.”

In October, the **U. S. unemployment rate** decreased 0.1 percentage points from a month ago to 5.0 percent and was down 0.5 percentage points from one year ago. Civilian employment totaled 142.6 million persons in October, up 0.2 million from September. The number of unemployed was 7.4 million nationwide.



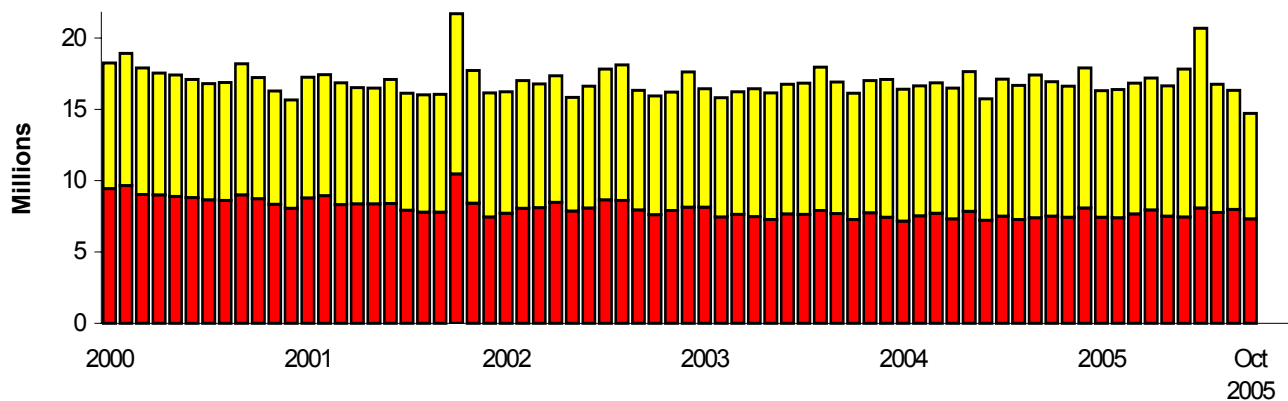
Source: Bureau of Labor Statistics and Michigan Department of Labor & Economic Growth, Employment Service Agency

In October, the **Michigan jobless rate** decreased 0.4 percentage points to 6.1 percent. Compared to a year ago, Michigan’s jobless rate was 1.1 percentage points lower. From a month ago, the labor force decreased by 26,000 to 5,101,000, while the number of people employed decreased by 2,000 to 4,792,000. In October, there were 309,000 unemployed people. Monthly unemployment rates fluctuate due to statistical sampling errors. Therefore, the three-month average of 6.4 percent may be a better measure of actual conditions.

**Detroit retail prices**, as measured by the Consumer Price Index (CPI-U), increased 1.5 percent from August to October, compared to a 1.4 percent increase from June to August. The all-items less food and energy index increased 0.8 percent from August to October. The food index increased 1.6 percent from August to October while the energy index increased 7.4 percent. Compared to October 2004, the all-items index increased 4.0 percent. For individual component items, the increases from one year ago were: food and beverages, 2.7 percent; housing, 5.2 percent; transportation, 8.8 percent; medical care, 3.1 percent; education and communication 1.5 percent; other goods and services, 1.4 percent; the unadjusted decreases were: apparel, 6.1 percent.

## Motor Vehicle Sector

### U. S. Light Vehicle Sales



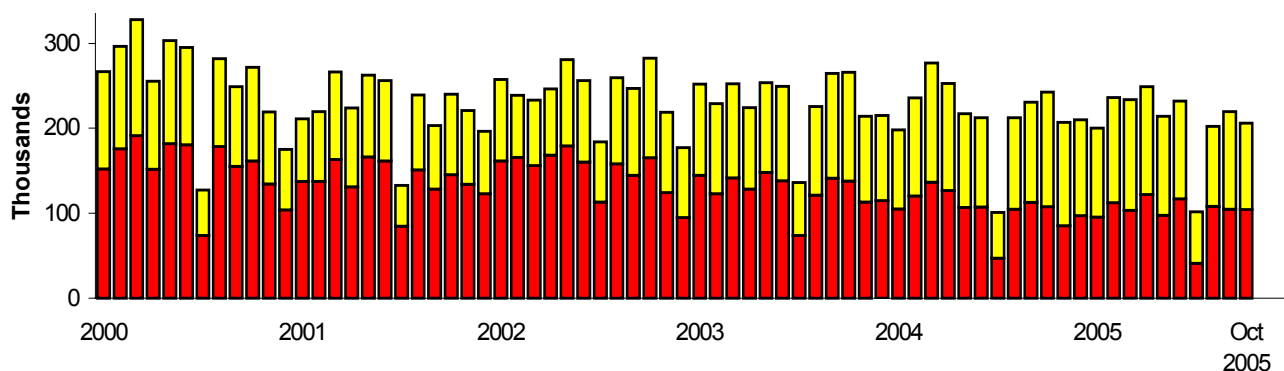
Source: Bureau of Economic Analysis

■ Cars ■ Lt Trucks

**U. S. light vehicle sales** (cars + light trucks) decreased 1.6 million units in October selling at a 14.7 million unit seasonally adjusted annual rate. Domestic car sales decreased 9.5 percent while domestic light truck sales decreased 14.2 percent. Import car sales decreased 5.3 percent while import light truck sales increased 4.8 percent. Compared to last year, light vehicle sales decreased 13.1 percent. Domestic car sales were up 0.8 percent while domestic light truck sales decreased 23.1 percent. Import car sales were down 9.9 percent while import truck sales fell 11.9 percent from last year. As a result, the domestic share decreased 0.7 percentage points from a year ago. For fiscal year 2006 year-to-date, domestic light vehicles have recorded a 77.7 percent share of a 14.7 million-unit market.

**Michigan motor vehicle production** decreased to 206,275 units in October. From a year ago, motor vehicle production decreased 15 percent in Michigan but rose 4 percent nationally. In October, Michigan's car production was 104,227 units while the state's truck production was 102,048 units. Compared with a year ago, car production fell 3 percent in Michigan but increased 6 percent nationwide. The state's truck production decreased 25 percent while national truck production rose 2 percent from a year ago. Michigan motor vehicle production data are not seasonally adjusted.

### Michigan Motor Vehicle Production



Source: Economic and Revenue Forecasting Division

■ Cars ■ Trucks

**Summary Estimates of the Constitutional Revenue Limit  
Based on the August 17, 2005 Consensus Revenue Agreement  
(Article IX, Section 26)  
(in millions)**

|  | <b>Fiscal Year<br/>2003-2004<br/>Actual</b> | <b>Fiscal Year<br/>2004-2005<br/>Estimate</b> | <b>Fiscal Year<br/>2005-2006<br/>Estimate</b> |
|--|---|---|---|
| Applicable Calendar Year Personal Income | \$303,745                                   | \$314,460                                     | \$322,636                                     |
| Section 26 Base Ratio                    | 9.49%                                       | 9.49%   | 9.49%   |
| Revenue Limit                            | \$28,825.4                                  | \$29,842.3                                    | \$30,618.2                                    |
| Revenue Limit                            | \$28,825.4                                  | \$29,842.3                                    | \$30,618.2                                    |
| State Revenue Subject to Limit           | \$24,384.7                                  | \$24,652.6                                    | \$25,512.0                                    |
| <b>Amount Under (Over) Limit</b>         | <b>\$4,440.7</b>                            | <b>\$5,189.6</b>                              | <b>\$5,106.2</b>                              |

Sources:

Personal Income Estimate

The FY 2003-04 calculation uses the official personal income estimate for calendar year 2002 (Survey of Current Business, August 2003).

The FY 2004-05 calculation uses the official personal income estimate for calendar year 2003 (Survey of Current Business, September 2004).

The FY 2005-06 calculation uses the official personal income estimate for calendar year 2004 (Survey of Current Business, October 2005).

Revenue Subject to the Limit

The FY 2003-04 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2004.

The FY 2004-05 calculation uses the August 17, 2005 Consensus Revenue Agreement.

The FY 2005-06 calculation uses the August 17, 2005 Consensus Revenue Agreement.

Prepared By: Economic and Revenue Forecasting Division, Michigan Department of Treasury